



GOVERNOR GARY LOCKE'S

2003-05 Budget Overview

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✓ **Education First**

Education is our Highest Priority

✓ **Create Jobs**

Improve the State Economy

✓ **Keep the Safety Net**

For Vulnerable Citizens

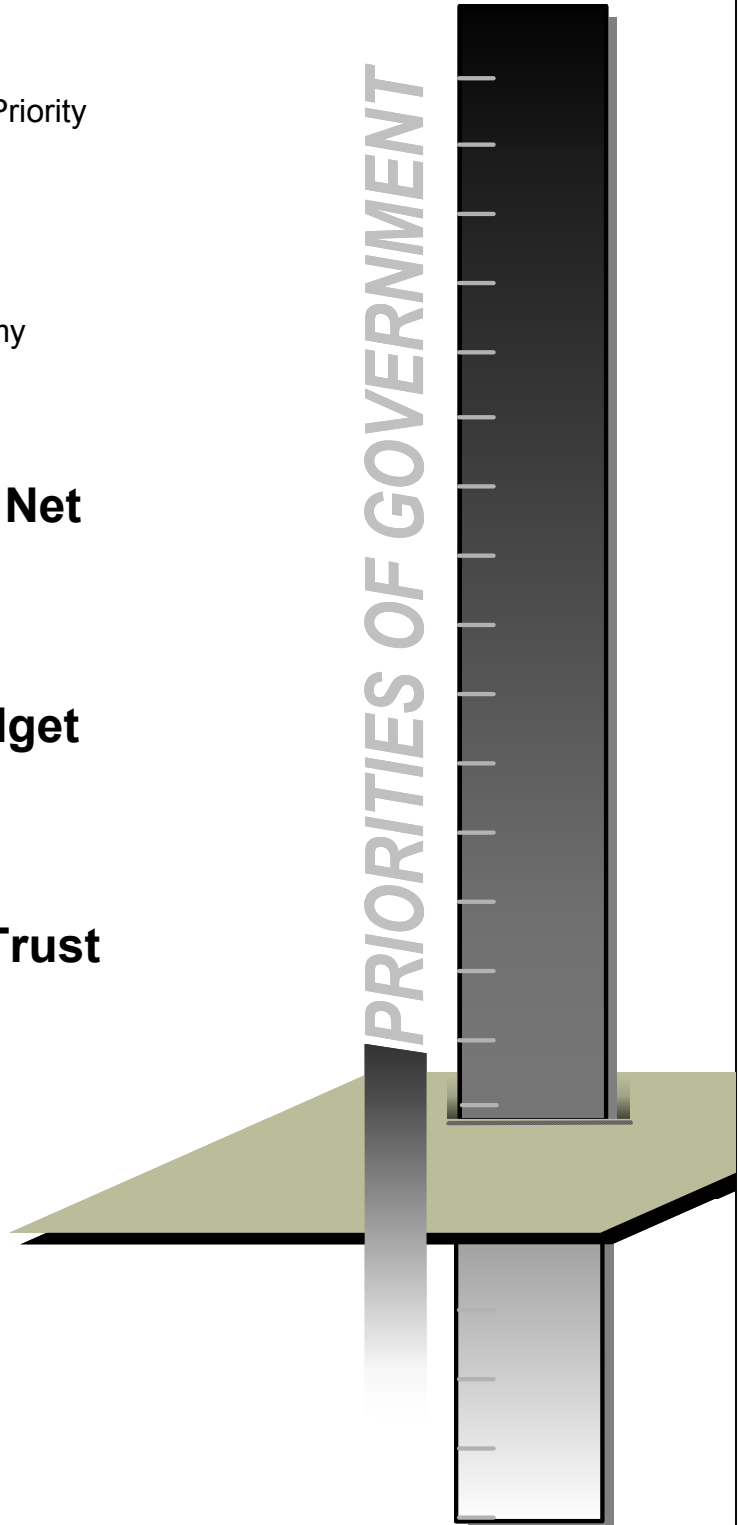
✓ **Balance the Budget**

With the Money We Have

✓ **Restore Public Trust**

Fund What Matters Most

PRIORITIES OF GOVERNMENT



Funding Priorities, Solving the Budget Problem

Governor's Priorities for Balancing the Budget

- ✓ Solve a \$2.4 billion problem in the 2003-05 Biennium
 - ✓ Start with results that people expect from state government
 - ✓ Raise the bar for scrutiny of all state government activities
 - ✓ Fund services that directly contribute to the results
 - ✓ Balance the budget without a general tax increase
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The Governor's Proposal:

Solves the budget problem – the result of recession, slow economic recovery and soaring health care costs – by limiting spending by \$2.4 billion, including reductions of \$2.1 billion in the General Fund and \$275,000 in the Health Services Account.

Maintains education as the highest priority, but suspends increased spending for further K-12 class-size reduction. Higher education enrollment is maintained, but tuition increases up to 9 percent for in-state students. Education plan: spends \$13.3 billion; saves \$512 million.

Revitalizes the state economy, providing a construction budget that will support 13,500 construction jobs, including projects that will improve higher-education facilities and provide infrastructure needed to attract business growth. Workforce training provides people skills that employers want, including higher education enrollment increase of 1,550 in high-demand fields. Trade and tourism are promoted. Economic development plan: spends \$117 million plus \$2.5 billion in bonded construction budget.

Preserves the safety net for vulnerable children and adults, strengthens public health system, but eliminates optional health care programs less critical in ensuring the health and safety of people most at risk. Revenue from higher tobacco tax is used to prevent further reductions in Basic Health Plan enrollment. Health and human services plan: spends \$7.5 billion; saves \$543 million.

Protects public safety through incarceration of dangerous criminals, but reduces corrections costs – releasing 1,200 low-risk drug and property offenders – through early implementation of a new sentencing grid already approved by the Legislature. Keeps Washington prepared for natural disasters or terrorism and keeps state highways safe. Public safety plan: spends \$1.4 billion; saves \$100 million.

Maintains state transportation system, using limited funds for maintenance of the state highway system and continued operation of state ferries and passenger rail service. Transportation plan: spends \$3 billion in transportation funds.

Lowers state government costs by reducing general-government employment by a total of 2,500 full-time jobs, providing no salary increases for state workers and teachers, requiring state-funded employees to pay higher health-insurance premiums and eliminating or consolidating many general-government programs. Government cost reduction plan: saves \$785 million.

\$24 Billion

(GF-S & Health Services)

Funded Priorities

Purchased: \$24 Billion (GF-S & Health Services Account)

\$10.2b	K-12 education for 1,000,000 students
\$2.7b	Higher education for 215,000 students
\$3.7b	Health care for 979,000 children & needy people
\$3.8b	Protecting vulnerable children, adults & families
\$1.4b	Public Safety, including Prison for 15,500
\$125m	Economic development
\$310m	Natural resources and parks
\$133m	Legislature
\$82m	Judicial
\$369m	Government Operations
\$1.3b	Debt service on capital projects
\$55m	Pension contributions
\$344m	Reserves (GF-S=\$214m, Health Services=\$73m, ERF=\$57m)

\$2.4 Billion

(GF-S & Health Services)

Unfunded Priorities

Reductions: \$2.4 Billion (GF-S & Health Services Account)

\$109m	Lower costs in higher education
\$221m	Future class size reduction
\$112m	K-12 programs beyond basic education
\$112m	Revised sentences for 1,200 non-violent and drug offenders
\$197m	Lower-priority programs for vulnerable children and adults
\$389m	Future expansion of Basic Health Plan
\$277m	Health coverage for 59,000 adults now on Basic Health Plan
\$774m	Pay increases and benefits for state-funded employees
\$83m	Pension contributions
\$112m	Consolidation and staff reductions of 2,500 FTE

Maintaining the Commitment to Education

Governor's Priorities for Education

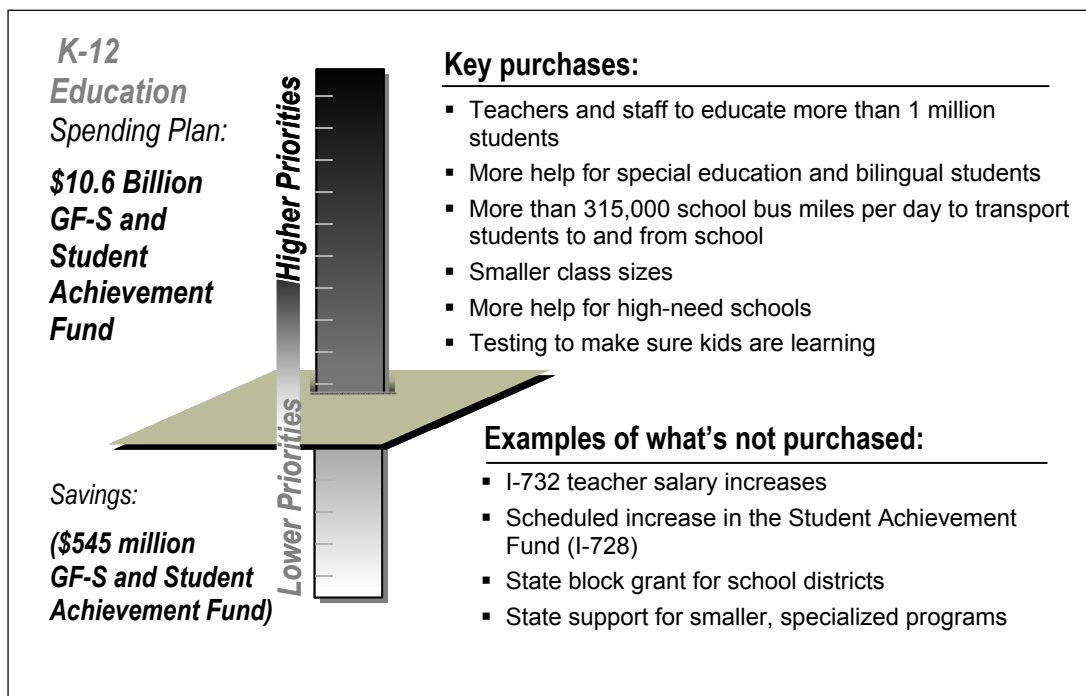
- ✓ A good basic education for Washington's 1 million public-school students
- ✓ Maintain current investment in class-size reduction
- ✓ Close the achievement gap and improve low-performance schools
- ✓ Provide help for special education and bilingual students
- ✓ Scale education funding enhancements to reduced state revenue in difficult economy

The Governor's Proposal:

Provides \$10.6 billion for education services for 1 million public-school students, including basic education programs, special education, school-bus transportation, levy equalization, bilingual education and help for schools where students are challenged by poverty.

Maintains class-size reduction funding already provided to school districts by Initiative 728, but saves \$221 million by canceling the next reduction scheduled for the 2004-05 school year. I-728 was approved without a funding source to sustain it in the current economy.

Eliminates Initiative 732's annual cost-of-living increase for teachers and other school staff, saving \$212 million. I-732 also was approved without a dedicated funding source, and at a time when thousands of Washington people have lost jobs or are getting no pay raises, the state cannot eliminate critical services to pay for a salary increase for employees – even teachers.



Increasing Access to Quality Higher Education

Governor's Priorities for Higher Education

- ✓ Provide highly valued degree programs at state colleges and universities
- ✓ Increase enrollment in high-demand fields
- ✓ Give higher education institutions more tuition-setting authority
- ✓ Help lower-income students afford a college education.

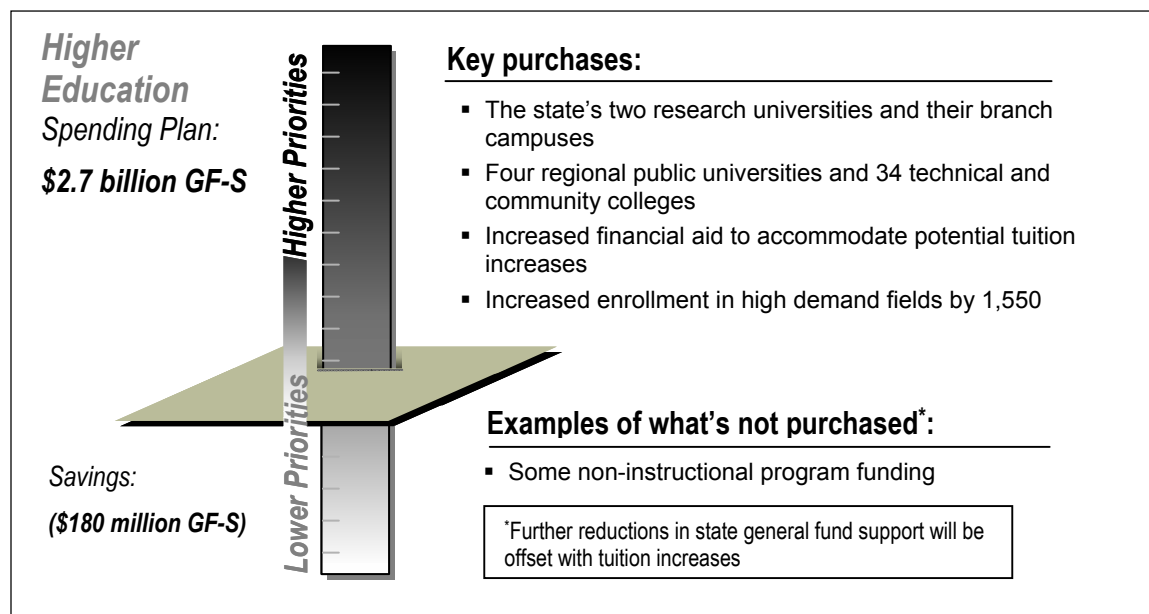
The Governor's Proposal:

Recognizes higher education's role in strengthening the state economy, including \$535 million in construction that builds for the future by addressing overcrowded classrooms at community colleges and investing in major projects at four-year institutions. The capital budget for state colleges and universities is \$238 million higher than expected because of an innovative plan to bond a portion of state lottery revenue.

Provides \$2.7 billion to help 215,000 students earn college degrees from two research universities, four regional colleges and 34 community colleges and technical schools. Includes \$300 million for State Need Grant for low-income students and Promise Scholarships for low- to middle-income high school students who graduate in the top 15 percent of their class.

Increases enrollment by 1,550 students in high-demand fields such as health care, computer science, math and special education.

Reduces state funding for higher education by \$180 million, including a \$40 million reduction in non-instructional services. The remainder of the reduction is expected to be offset by tuition increases up to 9 percent for in-state students. State funding for the State Need Grant is increased by \$32 million in anticipation of tuition increases.



Creating New Jobs, Building for the Future

Governor's Priorities for Economic Development

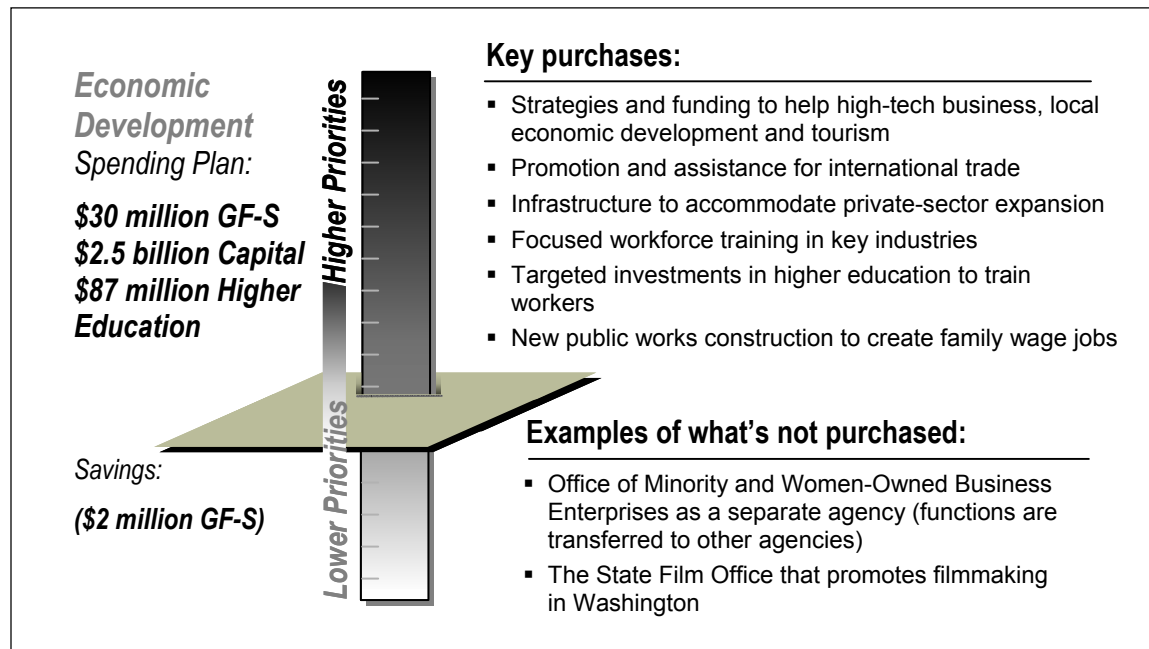
- ✓ Expand capacity of the state's economic development efforts
- ✓ Create jobs now and in the future
- ✓ Lead the nation in development of emerging industries
- ✓ Invest in infrastructure to secure business growth
- ✓ Develop a workforce with skills in high demand
- ✓ Market Washington products and services

The Governor's Proposal:

Supports annual average of 13,400 private-sector construction and related jobs with a \$2.5 billion capital budget that includes \$654 million in new infrastructure needed to attract new businesses, \$535 million for new classroom space at state colleges and universities, \$365 million in matching funds for new K-12 schools and \$182 million for 876 high-security prison units.

Provides workforce training that matches skills demanded by industries of the future, including \$67 million for training programs at state community colleges and technical schools and \$20 million for a 1,550-student increase in enrollment in high-demand fields at the state's four-year colleges and universities.

Nurtures economic development with \$108 million from several sources for strategies that create new jobs, assist new industries such as biotechnology and clean energy, assist local development efforts, operate the Washington Trade and Convention Center, market Washington products to the world and generate business investment.



Maintaining the Health of Washington's Children

Governor's Priorities for Health Care

- ✓ Preserve all existing health care programs for children
- ✓ Provide a health care safety net for vulnerable adults
- ✓ Ensure that medical treatment is available to those who can least afford it
- ✓ Maintain a strong public health system
- ✓ Contain health care costs
- ✓ Revise Initiative 773 to prevent further reductions in Basic Health Plan enrollment

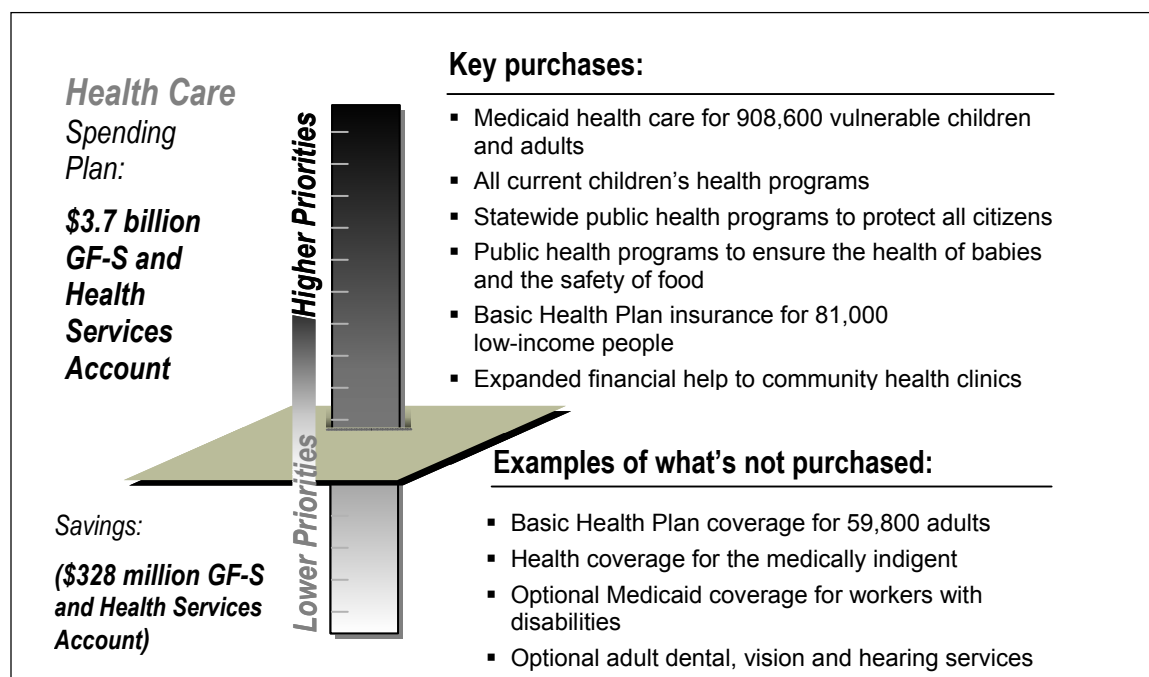
The Governor's Proposal:

Funds all existing health care programs for children, but reduces programs for adults in order to cope with health care costs that continue to increase at five times the general inflation rate. State drug purchasing is consolidated to achieve savings. Tighter controls are placed on screening for Medicaid eligibility. Increases in rates the state pays to HMOs for health coverage are limited by tying increases to the Seattle Consumer Price Index.

Provides \$3.7 billion in state funds for health care for more than 908,000 vulnerable children and adults, the public health system, health insurance for 81,000 low-income people and increased funding for community clinics.

Eliminates \$328 million, ending Basic Health Plan coverage for 59,800 childless adults, optional medical care for Medicaid patients and payments to hospitals for treatment of indigents.

Changes Initiative 773, so new tobacco tax revenue can be used to prevent further reductions in Basic Health Plan enrollment.



Caring for Vulnerable Children and Adults

Governor's Priorities for Human Services

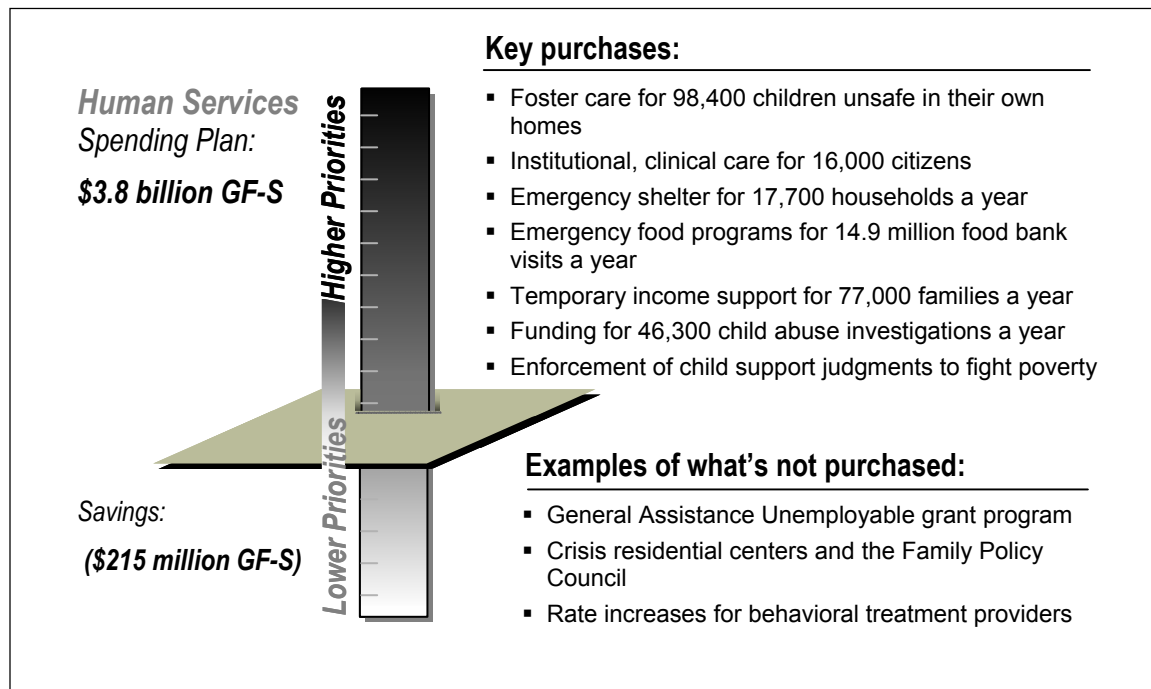
- ✓ Protect vulnerable children and adults from abuse and neglect
- ✓ Provide food, shelter and physical safety to the most vulnerable among us
- ✓ Help struggling families get back on their feet
- ✓ Contain costs

The Governor's Proposal:

Preserves the safety net for thousands of vulnerable children and adults, making sure they are fed, sheltered and safe from abuse and neglect. Care is provided for foster children and adults who are unable to take care of themselves.

Provides \$3.8 billion in state funding for human services, including Child and Adult Protective Services, emergency food and housing, mental health care, institutions, nursing homes foster care, temporary assistance to needy families, employment training for disabled adults and child support services.

Eliminates \$215 million in human services funding, including activities deemed less necessary to meet the most immediate health and safety needs. Caps rates charged by service providers and eliminates the grant portion of the assistance program (GAU) for 6,600 unemployable adults.



Protecting the Safety of People and Property

Governor's Priorities for Public Safety

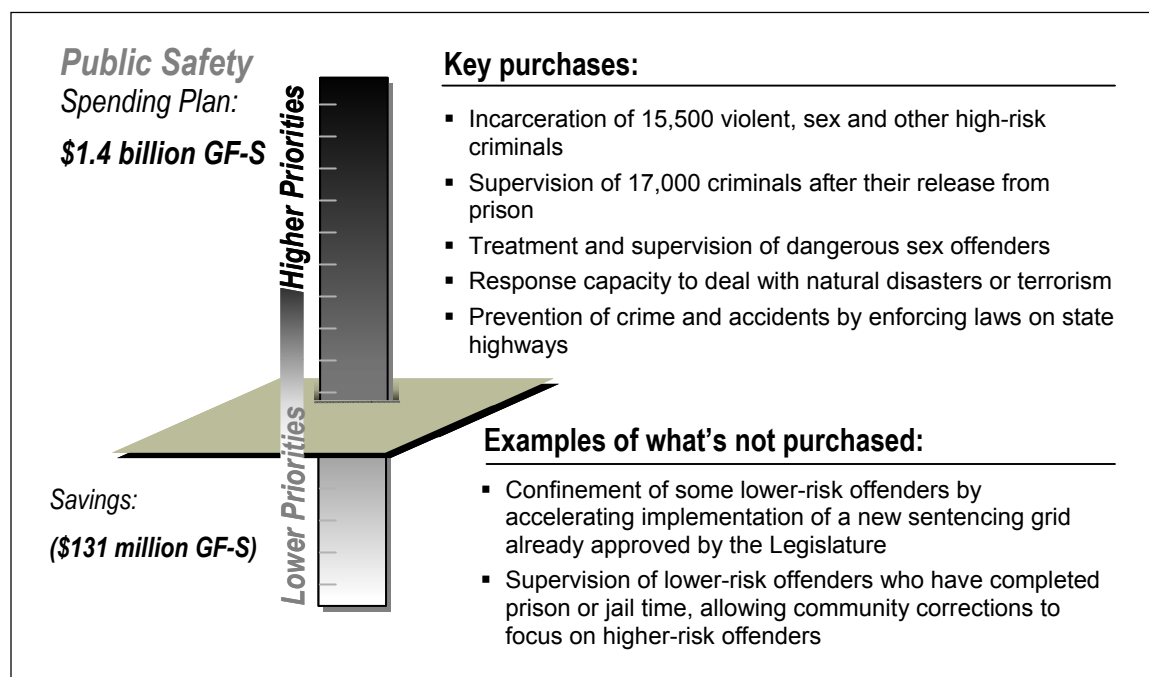
- ✓ Keep crime, accidents, injuries and property damage from happening
- ✓ Be prepared for natural disasters or the threat of terrorism
- ✓ Reduce rapidly rising prison system costs

The Governor's Proposal:

Keeps dangerous offenders behind bars, while slowing the rapid rise in prison costs by releasing low-risk offenders.

Provides \$1.4 billion in state funds for public safety, including the state prison system, supervision of prisoners after their release, supervision and treatment of sex offenders, confinement and treatment of chronic juvenile offenders, the state Crime Lab, compensation and aid for crime victims, help for at-risk youth, emergency preparedness for natural disasters and terrorism, and the State Patrol.

Saves nearly \$100 million in prison costs by reducing the number of low-risk offenders in prison by 1,200. This is accomplished by accelerating implementation of a new sentencing grid already approved by the Legislature and by increasing the amount of "good time" a property offender can earn in prison. Also eliminates state supervision of 2,900 low-risk offenders who have completed prison time and 22,000 low-risk offenders who have completed jail sentences.



Protecting the State's Natural Resources

Governor's Priorities for Natural Resources

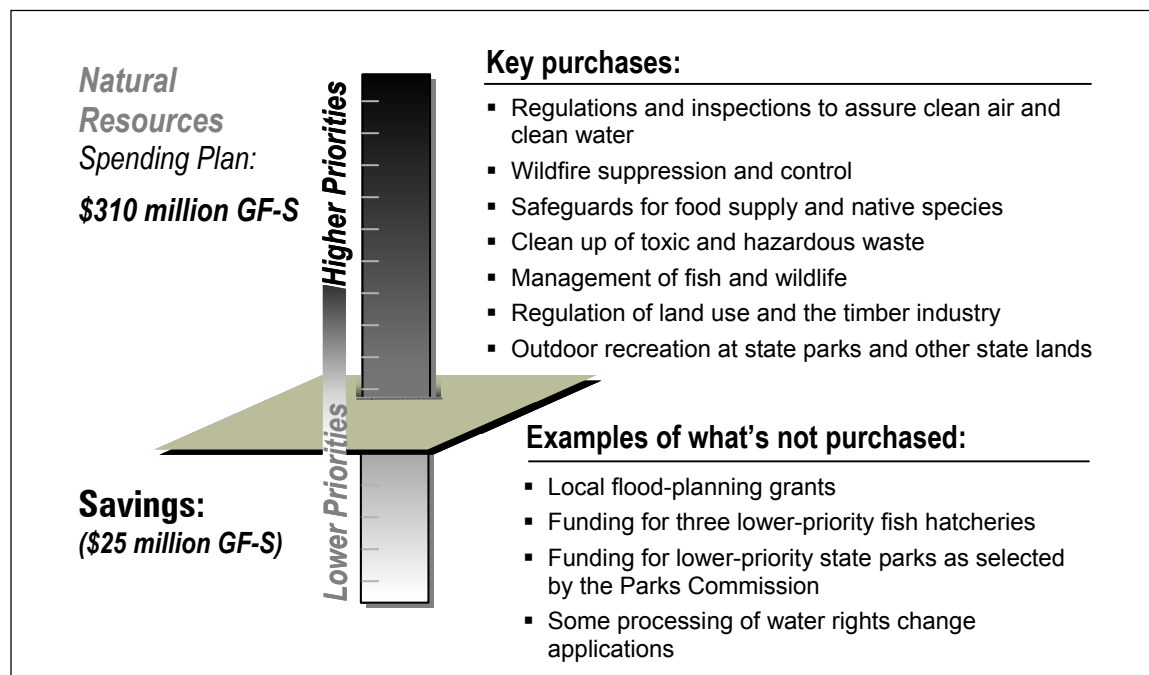
- ✓ Protect Washington's clean air
- ✓ Promote water quality and wise use of water
- ✓ Protect and restore fish and wildlife populations
- ✓ Clean up and prevent toxic and hazardous waste
- ✓ Fight forest fires to protect timber and property

The Governor's Proposal:

Focuses first on preventing degradation of our state's natural environment. Even in a tough economy, it is important that the state not lose ground in protection of our natural resources.

Provides \$310 million in state funding, plus federal and other funding, for a wide range of programs that protect Washington's natural resources – clean air, water supplies, Puget Sound, forest lands, coastal areas, lakes and streams, and fish and wildlife – and provide recreational opportunities at state parks.

Reduces state spending for less critical services by \$25 million by consolidating several programs, eliminating some others, closing lower-priority fish hatcheries and closing some parks, as selected by the state Parks and Recreation Commission.



Preserving the Public's Investment in Transportation

Governor's Priorities for Transportation

- ✓ Preserve and maintain existing transportation system
- ✓ Take steps to make the system work better
- ✓ Pursue additional transportation funding to urgently needed improvements

The Governor's Proposal:

Recognizes that Washington's transportation system is the backbone of the state's economy and that the public's \$100 billion investment in existing assets must be kept in good working condition. It also acknowledges that defeat of Referendum 51 did not alter the need for new funding to address severe traffic-congestion problems.

Provides a current-law transportation budget of \$3 billion to maintain the state highway system, improve traffic flow, operate the state Ferry System, improve city and county roads, and continue passenger and freight rail operations.

Continues efforts to strengthen and increase accountability in transportation spending and performance, including quarterly performance measures, cost comparisons with other states, financial audits and better cost estimates.

Completes transportation projects in progress, but does not over-obligate bonding capacity of gas tax revenue to finance additional capacity improvements. Available funding for transportation improvements is \$363 million less than in the current, two-year budget period.

